

EXHIBIT 3

TO

COMPLAINT

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Section: C

YOUR MONEY; Location, Location, Location. Research, Research.

DAMON DARLIN

Three years ago, Matthew Haines was remodeling a five-family brownstone he bought in Harlem when inspiration hit him. "There were all these abandoned buildings that were holding down my rent roll," he recalled saying to himself. "What can I do to make other homeowners comfortable buying here?"

What they needed, he decided, was the ability to research a property -- to see its recent sale prices, the prices of other properties in a neighborhood and even a glimpse of its potential problems. Buyers could obtain that data, but it would take days, trotting from one government office to another. "Some of the information is so arcane that you might as well not use it," Mr. Haines said in a telephone interview.

His solution was PropertyShark.com, a Web site he founded that details New York real estate like no other. Here in one spot are layers of data from public records. "We saw our site as an opportunity to level the playing field," said Mr. Haines, a software developer.

As real estate markets across the United States begin cooling, the playing field is shifting to favor the buyer. In many communities, a seller no longer holds as powerful a position during negotiations as was the case even four months ago. Buyers will want to play whatever slight advantage the market is giving them. To do that well, they need as much information as they can get. In the hands of the buyer -- or the seller -- information from data-packed Web sites like PropertyShark can pivot the negotiation dynamics.

Chances are, your neighborhood or the neighborhood you covet is no longer the strong sellers' market it was earlier this year. Philip Weingrow, a Century 21 Heritage broker who works the areas across the bay from San Francisco, said that 40 percent of homes sold were still receiving multiple offers as agents deliberately priced homes at a discount in hopes of building a bidding frenzy. But that's a far cry from the 75 percent rate he was seeing only a few months ago. Buyers are no longer sending pictures of their youngest child, at her most adorable, with the caption, "Madison needs a place to sleep."

Of course, as the market shifts sellers have to stay alert, too. If you're a seller, you are already hearing real estate agents advising you to increase the portion of the commission

that your agent shares with the buyers' agent in order to make the listing more attractive. Really? Think about this: You are paying your agent more than enough to bring in the buyers' agents. Buyers will come if the house is priced right, not because their agent will make \$15,000 more. Save your money and spend some time doing some research into home values.

While the pendulum is starting to swing, it isn't a buyers' market quite yet. "There may be individual desperate sellers," Mr. Weingrow said, "but if a seller has a lot of equity in the house, he isn't going to be desperate." Until that time comes, what makes the seller sit up and take notice is that you start asking for concessions. The more information you have about a property, the more you'll know what to ask for and your negotiating position strengthens.

START ON THE STREET -- Real estate agents rarely urge you to talk to neighbors, but many acknowledge you can find out a lot about a neighborhood's defects and charms that way. If you hit someone gossipy, you may even discover secrets about the property you are looking at and the circumstances of the sellers. (This is one way the feature on PropertyShark that reveals neighbors can be so useful.)

LOOK AT PUBLIC INFORMATION -- In New York, a site like PropertyShark is invaluable because with a few clicks, a prospective buyer can find information on assessments, building permits, repairs, code violations, as well as flood maps, crime statistics and the names of neighbors or prospective sellers. Many counties and cities have put real estate records on their Web sites. Go to SearchSystems.net for pathways into various local government databases. You should be looking for the sales history of the property and those homes surrounding it that are similar.

You should also check the test scores in public schools even if you have no children. Neighborhoods with excellent scores command a premium because the homeowners presumably won't have the expense of private schools. But if scores are slipping, you may be paying a premium for nothing.

As for other concerns, Jon Sturm, an agent with Boardwalk Realty in western Los Angeles, said a client called the Santa Monica police department and obtained crime statistics for a neighborhood.

Some of the most valuable data are the permit applications. You may want to know about electrical or plumbing upgrades or the replacement of a roof. The permits may tell you whether that garage that has been converted into an apartment is legal. Sure, the sellers are supposed to disclose all these things. But do you think they do?

It may not be as easy as clicking a mouse. The city of Portland, Ore., packs its site, www.portlandmaps.com, with this sort of information. But few cities have gone to the trouble of putting up permit applications. You could go down to the offices yourself. Better yet, send your agent. This is what agents, especially those who brand themselves as "full service," should be doing for the 2.5 percent to 3 percent commission they get

when the deal closes. Put them to work for you.

HAVE THE HOME INSPECTED -- Make sure the purchase is contingent on your acceptance of the inspection report. That may seem like basic advice, but inspections fell by the wayside during the home-buying frenzy. If you use a thorough inspector with no ties to the agents in the deal, you should have a good idea of the problems with any house. If your own online and on-the-street investigations raised some suspicions, you can ask the inspector to pay special attention to those areas.

ASK FOR CASH AT CLOSING -- This will allow you to fix whatever is not up to snuff -- at the seller's expense. Don't agree to allow sellers to fix problems as they are heading out the door. If you arrange the work, you'll be able to supervise it and make sure you are satisfied with the outcome.

How much can you ask for? If there are no other offers behind yours and the neighborhood has several other comparable homes on the market, request appliances, repairs of cracked windows and damaged floors, as much as you want. You may not get it, but it can't hurt to ask politely.

"We will be seeing the disappearance of the 'sold as-is' listings," said Linda Caplinger, a broker in Los Gatos, Calif. In fact, she is seeing more listings in the Portland area, where she wants to invest, offering credits, right in the listing, to cover flaws in the house.

Here are some of the best sources of online information and the models for what Web builders should be doing in every city.

PropertyShark.com Its strength is New York City. PropertyShark has data for about a dozen metropolitan areas. But only in the New York section can you drill down to get layer upon layer of data like Federal Emergency Management Agency flood maps laid over your neighborhood. You can even see the names of all your prospective neighbors -- with phone numbers in many cases. It is free if you limit your use to a few reports a day.

PortlandMaps.com The city government built what has to be the best government-run real estate site. It lets you search for houses of a certain age, size or price range and then displays the results on a Goggle map. And that's all properties, not just the ones that are for sale. Then you can check for permit history or hazards. (It doesn't give out property owners' names though.) For Los Angeles, iMapLA (imapla.lacity.org) is a good, but slightly less ambitious city site.

HomePriceRecords.com This site pours county records of property sales into a Google map. It is a good tool for residents of the Bay Area, Los Angeles and Chicago because they can see in an instant on a map the prices that houses fetched. The site struggles with data from New York, however, and that section isn't as useful.

HomeSmartReports.com The reports on this site will cost you a little bit of money, \$7 for a limited report and \$25 for more detailed data on each property. Type in an address and

it gives you sales history and comparable prices in the neighborhood. Lot of sites do that, but this one assesses the market conditions of the neighborhood, even flagging foreclosures or rampant flipping.

RentSlicer.com If you are buying rental property or property you intend to rent, this kind of site will be invaluable. Unfortunately, it's for the Los Angeles region only.

Photos: Ryan Slack, right, the chief of PropertyShark, and Matthew Haines. (Photo by Marilynn K. Yee/The New York Times)(pg. C1); A screen from the PropertyShark.com Web site showing information on a building on the Upper East Side of Manhattan. (pg. C6)

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SQUARE FEET: VENTURES; Doing Your Homework Before Closing a Deal

VIVIAN MARINO

ALMOST all home buyers are familiar with the trite-but-true axiom of real estate and location. But for those who will someday branch out to the commercial side -- and as residential markets cool, more people are doing just that -- there's another mantra to intone.

It's, "verify, verify, verify," said Ray Alcorn, a commercial real estate investor and developer from Blacksburg, Va. "You've got to know what you're getting involved with and analyze it, and if you don't know how, then you need to back off and learn. That's the function of due diligence."

Exercising due diligence -- a fancy way of saying "do your homework before signing on the dotted line" -- will not only help to assess a property's value, but will also expose potential risks. You will want to be sure, for example, that the seller holds title to that mixed-use property or that an office building is structurally sound. You will want to know of any zoning changes in the pipeline. (And, as always, you have to find the right location.)

"Investigative research is far more important in commercial real estate than it is in residential," said Jack Cummings, who runs a commercial brokerage firm in Fort Lauderdale, Fla., and is the author of "Commercial Real Estate Investing: 12 Easy Steps to Get Started" (John Wiley & Sons, 2004).

Consumer-protection laws are generally not extended to buyers of investment property, he noted.

"Most state laws," he said, "assume that if you're going to buy commercial real estate that you are somewhat knowledgeable."

With the influx of neophyte investors, that is not always the case. (At the commercial listing service LoopNet.com, for example, there are 5,000 new visitors each week, on average, according to Thomas Byrne, vice president for marketing.) Adding to the pressure is more acute competition, which means that many deals are being done more

quickly.

How should you begin this lofty examination process? Following are a few suggestions from experienced investors.

Learn Before Looking

Call it pre-due-diligence.

"You've got to educate yourself first, and to that end, there are plenty of books and tons of information over the Internet," said Mr. Alcorn, who has put together a home-study guide himself, "Dealmaker's Guide to Commercial Real Estate."

Classes are available, too. The Wall Street Transcript, for instance, sponsors three daylong seminars each year on due diligence in commercial real estate -- in New York, Newport Beach, Calif., and Chicago -- that cover topics like building inspections, insurance and taxes, according to David Wanetick, the managing director for the financial publication.

Real estate investment clubs can also help. The National Real Estate Investors Association Web site, nationalreia.com, has club listings by state. Many groups provide educational seminars and guest lecturers on commercial real estate, but more important, they have veteran members who are willing to be mentors to newcomers.

"Most people start out in residential, then migrate to commercial," said Tony Reaves, a co-founder of the Garden State Real Estate Investors Association, based in South Orange, N.J., and an investor in multifamily housing.

Line Up Professionals

Experienced investors typically have a group of experts in place, including brokers, engineers, lawyers, accountants and property managers -- all of whom specialize in commercial real estate and can be called upon for advice at a moment's notice. Of course, you don't have to find everyone at once. Many seasoned investors say they created their teams through trial and error.

If you're unsure about whom to hire, talk to other investors or brokers. Mr. Cummings also suggests asking for leads at your local zoning or building departments. And while you're there, he adds, try to familiarize yourself with local zoning regulations.

Set Financial Goals

Are you looking to make a quick profit with a property that can appreciate in value after

improvements? Or do you want a property that can be leased out, generating a steady monthly cash flow? What do you consider an acceptable capitalization rate -- meaning the initial rate of net income from the property? (A cap rate of 6 percent or more is generally considered good.)

"Many people are looking for something that has a bondlike yield and has appreciation," Mr. Byrne said. "Real estate has become a new accepted investment class."

But as Mr. Alcorn pointed out, unless you're an intrepid type who enjoys running the show yourself, you may be better off with bonds or real estate investment trusts, which invest in portfolios of commercial property and disburse most of their income in dividends.

Zero In on Property

There are myriad ways to search. You can work directly with brokers or track down for-sale-by-owner listings and other private sales online and elsewhere. Mr. Cummings even suggests revisiting expired listings; after all, if an owner was motivated before, he may be more so now.

LoopNet.com can be an invaluable tool for buyers who want to venture into unfamiliar territory. It lists more than 315,000 commercial properties nationwide. As of last month, more than a million registered members had signed up for basic or premium services, up from 330,000 at the end of 2002.

Property can be searched by various criteria, including building type, location, price and size, and users can receive demographic reports, maps and market comparisons. The site also provides a directory of real estate professionals.

The most-sought-after properties on LoopNet, according to Mr. Byrne, are buildings with triple-net leases, in which the tenants agree to pay all the continuing operating expenses like property taxes and insurance premiums. But be warned: they are often difficult to find, specialists say, unless you have a significant amount of money to invest.

Investigate the Area

Learn about the demographics of the region where you are buying. What is the average household income? Age? Crime rate? You will also want to know the prevailing vacancy rates, along with rents and property taxes.

Mr. Reaves, the investment club member, says he gets some of his information from local chambers of commerce and by talking with neighboring business owners.

Deeds, liens and easements, along with zoning maps, can be found in local and county

government offices. Many of their records are accessible online. With a street address, you can determine, among other things, the sale prices and dates of previous sales and the assessed value of the property.

Other helpful Web sites include netronline.com, the address for Nationwide Environmental Title Research, a real estate research company; naco.org, the National Association of Counties; brbpub.com, BRB Publications, a publisher of sourcebooks used for finding public records; and LoopNet.com. In addition, there are searchsystems.net, run by Pacific Information Resources, and realquest.com, by First American Real Estate Solutions.

Review and Verify

Once you have settled on an area and have gone into contract on a property that meets your business criteria, the heavy lifting begins.

In an allotted time, you or your advisers must review and verify the financial data provided by the seller. You will need to have a title search done, peruse a property survey and check the leasing contracts and rent rolls, among other things. Existing tenants should be vetted, particularly their payment histories and credit files.

To evaluate income stream, Mr. Alcorn said, he asks the seller for the most recent historical operating numbers and, in some instances, tax returns.

But, Mr. Cummings said, you can ascertain the three biggest expenses on your own: insurance, real estate taxes and utilities. Taxes are public record, and you can get cost estimates from an insurance company or local utility, he said.

Inspect, Appraise and Confront

Qualified engineers or contractors can help to uncover any hidden problems in a building, whether structural, mechanical or environmental, and many deals are contingent upon their reports. In addition, lenders typically require an appraisal and environmental inspection.

Mr. Cummings also urges buyers to ensure that a building is in compliance with local building, fire or environmental codes and that the seller or previous owners have secured the proper building permits, if necessary.

"One of the things a lot of people overlook are code violations," he said. "You can go to the code enforcement officer to see if any violations are recorded."

Whatever shortcomings are discovered should be brought up with the seller, who could decide to fix the problem or to renegotiate the sales price.

"Or you can move on," Mr. Cummings said. "Sometimes you're better off."

Drawing (Drawing by Phil Marden)